



FINANCIAL HIGHLIGHTS

thousands of dollars

	<u>1974</u>	<u>1973</u>	<u>1972</u>
Earnings from Cable Operations, Before Tax	\$ 3,404	\$ 2,796	\$ 1,605
Equity in Earnings of Famous Players Limited	2,225	1,627	1,488
Net Earnings, Before Extraordinary Items	4,091	3,500	2,934
Net Earnings, After Extraordinary Items	4,641	3,592	3,097
Cash Flow from Operations	6,285	4,735	3,878
Capital Expenditures	6,427	2,852	2,736
Shareholders' Equity	52,544	48,390	45,895
Average No. of Shares Outstanding	3,919	3,915	3,739

Per Share

Earnings, Before Extraordinary Items	\$ 1.04	\$ 0.89	\$ 0.78
Earnings, After Extraordinary Items	1.18	0.92	0.83
Cash Flow from Operations	1.60	1.21	1.04
Dividends Paid	0.28	0.28	0.28
Shareholders' Equity	13.41	12.36	12.27

The figures for 1973 and 1972 have been restated to give effect to changes in statement presentation made in 1974, including the reporting of the earnings from Famous Players Limited on a two month delay basis, i.e. for the twelve months ending June 30 each year.

Capital expenditures are those incurred by wholly owned subsidiaries from date of acquisition and therefore exclude expenditures by the London, Pine Ridge and Jarmain systems prior to January 31, 1974.



Canadian Cablesystems Limited

Head Office

120 Adelaide Street West, Toronto

DIRECTORS

Donald S. Anderson

Chairman and Chief Executive Officer
Metro Centre Developments Limited
Toronto, Ontario

Donald L. Angus, P. Eng.,

President
H. H. Angus & Associates Limited
Toronto, Ontario

Robert W. Bonner, Q.C.

Partner
Bonner & Fouks
Vancouver, British Columbia

John B. Cronyn

Corporate Director
London, Ontario

Claude Ducharme, Q.C.

Partner
Desjardins, Ducharme, Desjardins,
Tellier, Zigby & Michaud
Montreal, Quebec

Eugene E. Fitzgibbons

Vice-President, Corporate Development
Canadian Cablesystems Limited
Toronto, Ontario

Anthony F. Griffiths

President
Canadian Cablesystems Limited
Toronto, Ontario.

Arnold J. Groleau

Retired, formerly Executive
Vice-President of Bell Canada
Montreal, Quebec

Norman E. Hardy

Vice-Chairman of the Board
John Labatt Limited
London, Ontario

John D. Harrison, Q.C.

Partner
Harrison, Elwood
London, Ontario

Edwin R. Jarmain, P. Eng.

President
London Cable TV Limited
London, Ontario

W. Edwin Jarmain, P. Eng.

Executive Vice-President,
Cable Television
Canadian Cablesystems Limited
Toronto, Ontario

W. Kelly Jarmain

Vice-President
Jarmain Holdings Limited
London, Ontario

Charles S. MacNaughton

Chairman of the Board
Fry Mills Spence Limited
Toronto, Ontario

Thomas E. Nichols

Retired, formerly Publisher of
"The Hamilton Spectator"
Dundas, Ontario

OFFICERS

Anthony F. Griffiths

President

W. Edwin Jarmain

Executive Vice-President,
Cable Television

Eugene E. Fitzgibbons

Vice-President, Corporate
Development

Anthony D. Gooch

Vice-President, Finance

Albert Gnat

Secretary

Charles A. Latimer, C.A.

Treasurer

CORPORATE STAFF

Frank L. Eberdt

Director of Marketing
Toronto, Ontario

Nicholas F. Hamilton-Piercy, P. Eng.

Director of Engineering
London, Ontario

H. J. Vander Laan

Director of Technical Operations
and Personnel
London, Ontario

SYSTEM MANAGEMENT

Bernard Bertrand

Vice-President and General Manager
Cornwall Cablevision Inc.
Cornwall, Ontario

T. W. Ross Dryden

General Manager
Kingston Cable TV Limited
Kingston, Ontario

William J. Leask

President
Pine Ridge Cable TV Limited
Oshawa, Ontario

Donald A. MacAlpine

Vice-President and General Manager
London Cable TV Limited
London, Ontario

Lee Martini

Executive Vice-President and
General Manager
Hamilton Co-Axial Limited
Hamilton, Ontario

Lorne F. McFadden

Vice-President and General Manager
Jarmain Cable TV Limited
Brantford, Ontario

S. George Richards

General Manager
Chatham Cable TV Limited
Chatham, Ontario

Udo Salewsky

Executive Vice-President and
General Manager
Grand River Cable TV Limited
Kitchener, Ontario

Colin D. Watson

President and General Manager
Metro Cable TV Limited
Toronto, Ontario

James A. Yardy

Vice-President and General Manager
Jarmain Cable TV Limited
Newmarket, Ontario

AUDITORS

Price Waterhouse & Co.

TRANSFER AGENT

Montreal Trust Company

REGISTRAR

The Royal Trust Company

EXCHANGE LISTINGS

The Toronto Stock Exchange
The Montreal Stock Exchange

REPORT TO THE SHAREHOLDERS:

Your directors have pleasure in submitting the 55th Annual Report of the Company's operation for the fiscal year ended August 31, 1974.

The consolidated earnings for the year, before extraordinary items, were \$4,091,147 or \$1.04 per share, as compared with \$3,500,236 restated or 89¢ per share in 1973, an increase of 17%. An extraordinary net gain of \$549,886 was realized on the sale of the investment in British Columbia Television Broadcasting System Ltd., adding a further 14¢ to the year's total earnings per share.

The statement of earnings includes the revenues and expenses of the London,



A. F. Griffiths, President (right) in discussion with Donald S. Anderson, a Director of the Company.

Jarmain and Pine Ridge Cable TV systems for the seven months since January 31, 1974, when Canadian Cablesystems acquired the remaining shares of these companies not previously owned. The Company's equity in the earnings of these systems for the five months from September 1973 to January 1974, is included in "Equity in earnings of associated cable companies".

Combining the equity in the earnings of associated cable companies with the profits before tax of the wholly owned cable subsidiaries, earnings from cable operations increased by 22% between 1973 and 1974.

Dividend and interest income from investments continues to provide an important source of profit and cash flow yielding approximately \$500,000 before tax in 1974.

The Edmonton Oilers, operated by Edmonton World Hockey Enterprises Limited in which the Company has a 30% equity interest, incurred increasing losses in 1974 and although these losses do not represent a cash loss to Canadian Cablesystems, the Company has followed the practice of including in earnings a part of the Oilers' losses in proportion to its investment.

Famous Players Limited enjoyed an increase in earnings of over \$1,224,000 in 1974 and the Company's 48.8% equity in these profits added over \$2.2 million to consolidated earnings. Famous Players has increased its dividend rate from 28¢ to 30¢ effective September 1974, providing additional cash flow to the Company.

During the year, the Company spent approximately \$6.4 million to expand existing cable systems and to upgrade the operating efficiency and capabilities of several systems, in particular, Metro Cable TV Limited. In January 1974, the Canadian Radio-Television Commission approved the acquisition of the remaining share interests in London Cable TV Limited, Jarmain Cable TV Limited and Pine Ridge Cable TV Limited, a 50% interest in Kingston Cable TV Limited and a further 25% interest in Chatham Cable TV Limited. The purchase consideration for these interests was \$9,343,476, of which half the proceeds were used by the Jarmain family and their associates to purchase approximately 8% of the outstanding shares of Canadian Cablesystems Limited. In conjunction with these acquisitions, the Company purchased 50% of the common shares of Cablesare Limited, a time-sharing computer services company located in London, Ontario.

The cable TV companies in the Canadian Cablesystems group enjoyed their most successful year of operations to date. These companies increased their total number of subscribers from 291,600 at August 31, 1973 to 348,200 at August 31, 1974, a net gain of 56,600 subscribers for an average penetration of 72%. This is an increase in subscribers of 19%. The potential (i.e. households passed by cable facilities) of these systems increased approximately 14% during the year and is currently estimated at 480,300 households.

Canadian Cablesystems is pleased to have the benefit of the Jarmain organization in the affairs of the Company. The Jar mains were pioneers in the Canadian CATV industry and their companies have had an enviable record. Mr. E. R. Jarmain has been a director of Canadian Cablesystems since 1971 and currently serves on several committees of your Board of Directors, as well as continuing as President of London Cable TV Limited. Mr. W. Edwin Jarmain has been appointed Executive Vice-President, Cable Television, and a member of the Board of Directors. Both have served as Chairman of the Canadian Cable Television Association in past years. Also, Mr. W. K. Jarmain has recently been elected to the Board of Directors.

The combining of the Jarmain group with Canadian Cablesystems has been accompanied by a program to standardize procedures and practices where clearly beneficial and to attain benefits from economies of scale. The Company is continually striving to create a sense of common purpose and mutual interest that will motivate personnel and, at the same time, ensure that the necessary disciplines are established to maintain a high quality service for subscribers and provide shareholders with satisfactory returns. To this end, management has been reorganized and strengthened to provide guidance and expertise to the operating systems in specific functional areas including marketing,


financial planning and control, personnel relations, and engineering and technical services. Cablesystems Engineering Limited, formerly Jarmain Teleservices Limited, is providing technical support to the group of systems. It is expected that these support services will assist in making improvements in subscriber service in the near term and achieving better planning for the future.

The individual cable systems operate on an autonomous basis with regard to ongoing operations, within the limits of approved policies and plans. Each system is viewed as a profit center with specific revenue, profit and cash flow objectives as well as service quality standards. The systems have wide latitude in producing local community programs for cablecasting and their personnel are encouraged to represent the Company in all activities of local community life.

The outlook for the cable television business and for Famous Players is encouraging for the coming year. While these businesses are not immune to inflation, they are relatively well positioned against cyclical economic downturns. Growing potential within existing licensed areas, improved productivity, and the introduction of converter services, coupled with the approval of certain rate increase applications, should maintain recent profit trends in cable television operations. The Theatre Division of Famous Players anticipates having a continuing supply of good film attractions available for the foreseeable future, while the Real Estate Division is experiencing steady improvements in renting existing office and apartment buildings. The company is proceeding with two major construction projects, which are described elsewhere in this report.

In this year of major transition, particularly in reshaping the organization into its new form, the Company is most grateful for the great co-operation and assistance received from personnel throughout the Company.

On Behalf of the Board of Directors,



ANTHONY F. GRIFFITHS
President

Toronto, Ontario
December 2nd, 1974

CABLE TV OPERATIONS

The cable television systems in which Canadian Cablesystems has an interest experienced growth in subscribers, wired potential, and profitability during the year.

The most important new development that occurred was the introduction of converter service in some systems and planning for their introduction in others.

With a converter, subscribers are able to receive several additional channels that are carried over the cable system on frequencies not normally received on a standard TV set. By pressing a button on the converter unit—which also serves as a remote control unit—subscribers can view any one of the regular or extra channels. To carry the additional channels, cable systems generally require extensive rebuilding, which involves major capital expenditures in replacement of amplifiers and other electronic devices in the network. The cost of providing the expanded channel service will be recovered through increases in the basic monthly charge. The Company is pleased to offer

converter units to its subscribers.

The impetus for introduction of expanded channel converter service comes from the severe channel crowding situation that has developed in southern Ontario in recent years. Several new channels have been licensed, requiring that additional dial positions be created. The converter answers this need.

To date the Company has relied mainly on growth in subscribers to provide growth in revenues and profits. The introduction of expanded channel converter service represents the beginning of what is expected will be a new dimension in the Company's growth — additional revenues from additional services.

Metro Cable TV Limited

Metro Cable TV, Toronto, the Company's largest system providing service to parts of Metropolitan Toronto, Mississauga and Burlington, Ontario, reported a gain of 30,900 subscribers, bringing the total to 108,000 on service at August 31, 1974, representing an increase of 40% over the previous year. The substantial increase in new subscribers was due, in part, to the agreement signed with various apartment owners in the Toronto area under which service is provided to about 17,000 apartments.

The rebuilding of the Metro system was undertaken during the past year and the majority of this work is now complete, resulting in improved service and increased

channel capacity to provide converter service. At August 31, 1974, Metro Cable TV had 6,000 converters on rental. Capital expenditures by the company were in the order of \$3,000,000, mainly due to the cost of the modernization program.

Local origination programming is being expanded in the coming year by the addition of a multi-cultural channel to better serve the needs of the area's ethnic population. In addition, the company will cablecast approximately 40 hours per week of educational programming from the Board of Education for the Borough of North York. These new services will be available to converter subscribers.

Metro Cable TV has applied to the Canadian Radio-Television Commission (CRTC) to increase its rates by \$1.00 per month per outlet. This application was heard by the Commission at its November hearing in Toronto and a decision is expected in the near future.

Grand River Cable TV Limited

Grand River Cable TV encompasses a number of expanding communities including Kitchener, Waterloo, Cambridge and Stratford. The company added 7,500 subscribers for a total of 78,000, representing a growth of 11% in the past year.

As previously reported, Grand River has modernized its entire system of some 875 miles of distribution network with solid-state 26-channel equipment and in May 1974, received approval from the CRTC to provide converter service in all of the company's licensed areas. At August 31st, 1974, there were 3,000 converters in service.

Hamilton Co-Axial Limited

Hamilton Co-Axial added 3,000 new subscribers this year for a total of 33,000 on service, representing an increase of 10% over the previous year.

During the year, the company completed the modernization and expansion of its offices and technical service areas to provide better working conditions for the staff and improved customer service. The company has received approval from the CRTC to provide converter service, which is expected to be implemented in 1975 on its completely modernized distribution system. The monthly rate will be increased to \$5.50 with converters to be rented for an additional fee of \$2.50 per month.

Cornwall Cablevision Inc.

This company achieved a penetration of 87% during the past year adding 800 new subscribers for a total of 12,500 on service out of a potential 15,000 households.

Cornwall Cablevision provides local origination programming in both French and English in this bilingual community.

The company received permission from the CRTC to increase its monthly service fee from \$3.95 to \$5.00 during the year which was implemented in August 1974.

The rebuilding of the Cornwall system as a dual cable network — an alternative to converters — is proceeding according to



W. Edwin Jarman, Executive Vice-President
— Cable Television

plan. The system will thus be in a position to accommodate additional channels expected to commence broadcasting from Ottawa and Montreal in the near future.

London Cable TV Limited

Full acquisition of this company was completed on January 31st, 1974.

Previously, Canadian Cablesystems had owned 50% of the outstanding shares.

Despite the high penetration of subscribers on this system, the company added 2,500 new subscribers for the period ending August 31st, 1974, for a total of 52,500, representing a penetration of 89%.

The company is now embarking on a modernization of its system which will provide expanded channel capacity and accommodate converter service.

Jarmain Cable TV Limited

Your Company now owns 100% of Jarmain Cable TV Limited operating cable systems

in Brantford-Paris and Newmarket-Bradford-Holland Landing, Ontario.

The Brantford system added 1,900 subscribers for the period in review to achieve a total of 18,600 and now serves 76% of all households in its licensed areas. The Newmarket system added 1,000 subscribers for a total of 7,000 — 89% penetration. The rebuilding of these systems to provide expanded channel capacity is now underway. It is anticipated that converter service will be available to all subscribers by early 1975.

Both the Brantford and the Newmarket systems recently received approval from the CRTC to increase their monthly rates by 50¢ to \$5.00 and to offer converter service.

Pine Ridge Cable TV Limited

As previously reported, your Company now holds a 100% interest in this company operating a cable system serving Oshawa, Whitby and Bowmanville, Ontario.

This system continues to make steady progress and reported a gain of 4,200 subscribers, an increase of 23% for a total of 22,700 at August 31st, 1974, representing a penetration of 60%.

The company is in the process of modernizing its electronic facilities, enabling it to provide expanded channel capacity throughout the entire system. Here again, it is anticipated that converter service, subject to CRTC approval, will be offered to all subscribers by January 1975. It is proposed to increase the monthly service charge from \$4.95 to \$5.50.

Chatham Cable TV Limited

In January 1974, the CRTC approved the acquisition of a further 25% interest in this

system, bringing the Company's holdings to 50%.

Chatham Cable TV had a successful year of operation and added 1,300 subscribers for an increase of 17% and a total of 8,600 subscribers at August 31st, 1974. Due to the growth of this system, the company has recently moved to new quarters.

Chatham Cable TV has applied for permission to introduce converter service and increase its basic monthly charge from \$4.75 to \$5.50.

Kingston Cable TV Limited

With the approval of the CRTC, acquisition of a 50% interest in Kingston Cable TV Limited was completed on January 31st, 1974. The system is still under construction



Gladys Johnston, Sales Representative for Grand River Cable TV Limited demonstrates "The Little Brown Box" — a converter.



Meet Kay Fortey, Customer Service Representative with London Cable TV Limited. She joined our company in 1961 and has the record for the longest continuous service of any employee in London, with the exception of E. R. Jarmain.



James March of Jarmain Cable TV Limited Brantford tests for a line fault.



Sandra Goodmurphy, Office Supervisor of Pine Ridge Cable TV Limited.

and has a potential of about 25,000 households.

At August 31st, 1974, there were approximately 13,000 homes under cable with 2,700 subscribers on service, representing a penetration of 21%. This result is encouraging for a system in such an early stage of development.

Some unforeseen delays in construction of the distribution system have been experienced. However, the construction is now progressing well and it is anticipated that service will be available to most licensed areas by the spring of 1975.

Cableshare Limited

Canadian Cablesystems owns 50% of the common shares in Cableshare Limited, an on-line data processing company located in London, Ontario. The other major shareholder is Mr. Terrence H. Pocock, full-time President of Cableshare.

Cableshare is presently implementing an on-line subscriber data processing system for companies in the Canadian Cablesystems group. In addition, the Company's general ledger accounting is being transferred to the Cableshare computer.

Outlook

No discussion of cable operations is complete without an assessment of the regulatory outlook. The Canadian cable television industry is federally regulated by the Canadian Radio-Television Commission under the Broadcasting Act (1968). The CRTC continues to maintain an active involvement in the cable industry. This report has already described how the licensing of additional TV broadcast stations in southern Ontario has necessitated

the introduction of an expanded channel converter service by several of the Company's systems. At the end of 1974, the CRTC will require the allocation of a regular cable channel to the CBC French network service. In some of the Company's systems, this will result in displacement of a U.S. channel to the mid-band, receivable only by those subscribers with converters. This development will tend to accelerate the demand for converters.

Similar to many other industries, the CATV business is experiencing rapid increases in costs and must be able to increase rates correspondingly. Management is encouraged by recent announcements from the CRTC indicating a readiness to expedite applications for increases in rates.

While regulation of the cable industry has, so far, been mainly by the Federal authorities, there is a growing interest in communications regulation and cable

television, in particular, on the part of the provinces. Ontario has stated its desire to have a hand in communications policy. Meanwhile, a Quebec test case, which is proceeding through the courts, may help to resolve the jurisdictional dispute.

In Ontario, there has also been interest in the taxation of cable television companies. Studies are presently underway by the Provincial Government which may lead to the establishment of a uniform basis for the assessment and taxation of cable systems.



David McNamara, Service Manager of our associate company Chatham Cable TV Limited



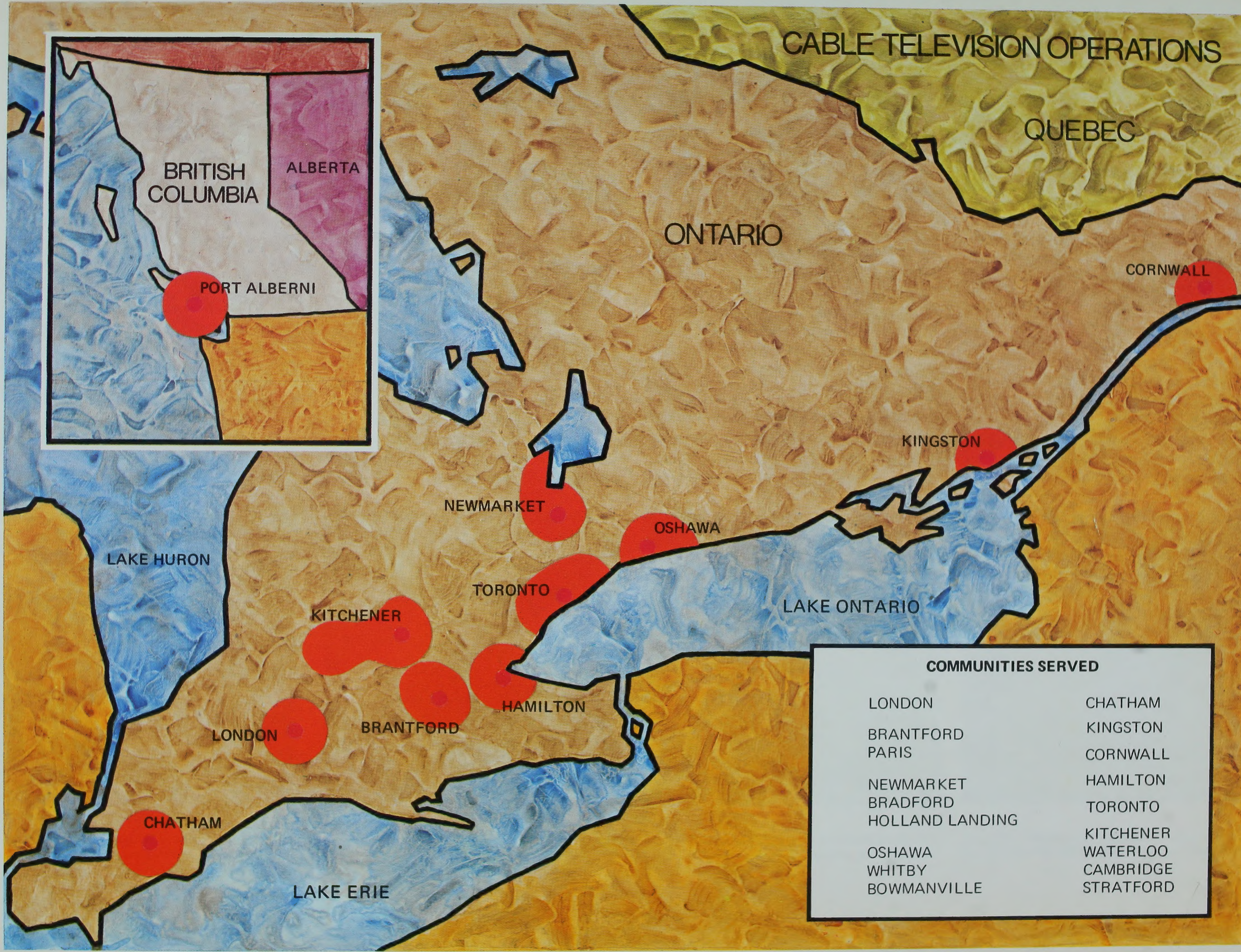
David Taylor, Cablecast Director of our associate company Kingston Cable TV Limited



T. H. Pocock, President and General Manager of Cableshare Limited



Clement Therriault, the Assistant and Sales Manager at Cornwall Cablevision Inc.



CABLE TELEVISION OPERATIONS

QUEBEC

ONTARIO

CORNWALL

KINGSTON

OSHAWA

NEWMARKET

TORONTO

LAKE ONTARIO

KITCHENER

HAMILTON

BRANTFORD

LONDON

CHATHAM

LAKE ERIE

LAKE HURON



BRITISH COLUMBIA

ALBERTA

PORT ALBERNI

COMMUNITIES SERVED

- | | |
|-----------------|-----------|
| LONDON | CHATHAM |
| BRANTFORD | KINGSTON |
| PARIS | CORNWALL |
| NEWMARKET | HAMILTON |
| BRADFORD | TORONTO |
| HOLLAND LANDING | KITCHENER |
| OSHAWA | WATERLOO |
| WHITBY | CAMBRIDGE |
| BOWMANVILLE | STRATFORD |

FAMOUS PLAYERS LIMITED

Since the financial results of Famous Players have a considerable effect on the after tax earnings of Canadian Cablesystems, its consolidated financial reports and balance sheet for the year ended June 30th, 1974, are included on a comparative basis as set out in Item 3 of the Notes to your Company's Consolidated Financial Statements.

THEATRE DIVISION

Famous Players is the largest operator of motion picture theatres in Canada and one of the largest in the world, having an interest in 389 motion picture auditoriums and drive-in screens throughout Canada. In addition, it owns 100% of the Paramount Opera Theatre located in Paris and recently converted it to three auditoriums, with further multi-screening being planned. Famous Players also has a 50% interest in a French company, Parafrance Films S.A., which operates 37 auditoriums in 23 theatres in France.

Through the continuing development of dual and multi-auditorium theatres, Famous Players continues to increase its revenues and profits. Multi-screen theatres are primarily located in suburban shopping centres, hotels and downtown locations, and in 1974 Famous Players opened several dual auditoriums, the St. Clair Theatre (Toronto); the Paramount Theatre (Thunder Bay, Ontario); the Midtown Theatre (Saskatoon, Saskatchewan); the Chateau and Rivoli Theatres (Montreal, Quebec); the Paramount Theatre (St. John, New Brunswick) and a triple auditorium theatre in the Penhorne Centre, Dartmouth, Nova Scotia.

The Le Parisien Theatre in Montreal is being multi-screened into a 5-auditorium theatre, and plans are being finalized to multi-screen the Capitol Theatre in Vancouver into six auditoriums.

Motion Picture Productions

Over the years, Famous Players has established a close working relationship with the leading motion picture distributors which, when combined with its capacity to exhibit motion pictures on a national basis, has enabled it to obtain, on a first-run basis during the last year, such successful motion pictures as "THE EXORCIST", "MAGNUM FORCE", "THE STING", "PAPILLON" and "CHINATOWN". During the coming months, Famous Players will exhibit such attractions as "GODFATHER PART TWO", "TOWERING INFERNO", Disney's "ISLAND AT THE TOP OF THE WORLD", and the James Bond production of "THE MAN WITH THE GOLDEN GUN". Famous Players' management expects that these attractions will contribute to another successful year of operations.

Famous Players Limited continues to participate in the production of Canadian feature films. Most recently, it assisted in financing the production of "THE

APPRENTICESHIP OF DUDDY KRAVITZ" which is currently in distribution in Canada and the United States and has proved to be the most successful Canadian production to date.

REAL ESTATE DIVISION

During the year, the Real Estate Division established an office in the City of Montreal to supervise the development of the Centre Capitol in Montreal. It has successfully disposed of certain surplus theatre properties and is making steady progress in developing land holdings not required for Famous Players' theatre operations.



An architect's rendering of the new six auditorium Capitol Theatre in Vancouver B.C.



E. E. Fitzgibbons, Vice-President — Corporate Development.



Fred Firth, an installer for Jarmain Cable TV Limited in Newmarket, Ontario.



Meer Asad Rayman of the Service Department at Metro Cable TV Limited aligns sophisticated amplification equipment.

Capitol Square, Ottawa

The 15-story office building is Famous Players' most successful development to date and is now 100% leased and has enjoyed a successful year contributing significantly to the earnings of the Real Estate Division.

The Northstar Inn

The Northstar Inn is a hotel located in downtown Winnipeg. During the past year, the construction of the top five floors was completed and the hotel now consists of 272 rooms. The hotel is managed by Canadian Pacific Hotels Limited and it is expected that the additional 91 rooms will contribute significantly to the future revenues of this hotel.

Whitehall Square, Edmonton

This residential complex, consisting of 600 units, both high and low rise, has now achieved a 92% occupancy and is expected to contribute to the earnings of Famous Players in the coming year.



N. F. Hamilton-Piercy, P. Eng. Director of Engineering.

Capitol Square, Edmonton

Famous Players is proceeding with the construction of a 15-story office tower in Edmonton scheduled for completion in 1975. This development will include four theatre auditoriums, two levels of retail space, as well as two parking levels.

Centre Capitol, Montreal

Famous Players' most ambitious development to date is located in downtown Montreal, immediately north of Place Ville Marie with frontages on McGill College and St. Catherine Streets, situated between two major department stores, Eaton's and Simpsons. This structure, when completed, will consist of 23 stories containing approximately 240,000 square feet of rentable office space combined with a 4-level podium and a concourse consisting of approximately 65,000 square feet of rentable retail space. This project is scheduled for completion in the spring of 1976.



Julian Polimis, a member of Metro Cable TV Limited's Engineering Department works on system design to ensure optimum reception.

OTHER INVESTMENTS

Broadcasting

During the year, the Company disposed of its 11.8% interest in British Columbia Television Broadcasting System Ltd. The proceeds from this disposition were applied to reduce the Company's outstanding bank indebtedness. The Company's remaining investments in television broadcasting are an 18% interest in Tele-Capital Ltd. and a 6.3% interest in Bushnell Communications Limited. Tele-Capital Ltd. operates French and English television stations in Quebec City and radio stations in the cities of Montreal and Quebec. Bushnell Communications Limited operates a television station in Ottawa and a satellite station in Cornwall, Ontario, together with interests in cable television companies located in Ottawa, Ontario and Hull, Quebec.

Sports

Sportsnetwork Limited, a wholly-owned subsidiary, has a 30% interest in Edmonton World Hockey Enterprises Limited which

operates the Edmonton Oilers of the World Hockey Association and the Edmonton Oil Kings of the Western Canadian Junior Hockey League. This investment is by way of common shares subscribed for at a nominal value, and a \$1 million secured 8% debenture repayable over nine years, the first instalment of which was received during the year. Following the practice of equity accounting for less than 50% investments, the Company has recognized, in its reported earnings for 1974, 30% (\$272,684) of the net losses incurred by Edmonton World Hockey Enterprises during the twelve months ended August 31, 1974. This loss does not represent a cash loss to the Company.

The move by the Edmonton Oilers to the modern 16,000 seat coliseum recently completed by the City of Edmonton, should improve both attendance and operating results in the 1974-75 season.



Laurie Lawson, one of the dispatchers at Metro Cable TV Limited handling requests from Metro's 108,000 subscribers



Peter Mayman of London Cable TV Limited, in charge of inventory control.



CONSOLIDATED STATEMENT OF EARNINGS

	YEAR ENDED AUGUST 31	
	1974	1973*
Revenue from cable services (Note 1 (a))	\$13,062,710	\$8,487,020
Equity in earnings of associated cable companies	143,942	429,841
	13,206,652	8,916,861
Expenses:		
Operating, general and administration	6,195,092	4,080,384
Depreciation	2,820,963	1,822,432
Interest	786,728	218,225
	3,403,869	2,795,820
Earnings from cable operations		
Investment income	512,700	519,323
Other income	61,139	52,807
	3,977,708	3,367,950
Income taxes		
Current	1,392,660	919,867
Deferred	445,953	411,030
	1,838,613	1,330,897
Earnings before under-noted items	2,139,095	2,037,053
Equity in losses of Edmonton World Hockey Enterprises Limited	(272,684)	(163,644)
Equity in earnings of Famous Players Limited	2,224,736	1,626,827
	4,091,147	3,500,236
Earnings before extraordinary item	549,886	91,540
Gain on sale of investments (net of income taxes of \$125,796 in 1974)		
Net earnings for the year	\$ 4,641,033	\$3,591,776
Earnings per share (Note 7)		
Before extraordinary item	\$1.04	\$0.89
For the year	\$1.18	\$0.92

*Restated (see note 1 (a))



A. D. Gooch, Vice-President, Finance



CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Source of funds:

Operations —

- Net earnings for the year before extraordinary item (Note 1 (a))
- Depreciation
- Deferred income taxes
- Equity in undistributed earnings (Note 3)

Bank advances (net)

Proceeds from sale of investments less applicable income taxes

Issue of shares

Reduction of long-term notes receivable

Use of funds:

Acquisitions (Note 3 (c))

Additions to fixed assets (net)

Dividends paid and payable

Long term notes receivable

Reduction of long-term debt

Net current liabilities of acquired companies

Investment in shares of other companies

Other

YEAR ENDED AUGUST 31

1974

1973

\$ 4,091,147	\$3,500,236
2,820,963	1,822,432
445,953	411,030
(1,073,331)	(998,804)
6,284,732	4,734,894
7,753,000	1,792,000
1,847,853	273,380
612,900	—
523,686	1,075,219
<u>17,022,171</u>	<u>7,875,493</u>

9,343,476	—
6,426,946	2,851,916
1,100,372	1,096,123
647,533	—
95,034	87,548
853,619	—
35,997	14,063
—	12,191
<u>18,502,977</u>	<u>4,061,841</u>

1,480,806	(3,813,652)
738,399	4,552,051
<u>\$ 2,219,205</u>	<u>\$ 738,399</u>



C. A. Latimer, Treasurer



CONSOLIDATED BALANCE SHEET

ASSETS

Current assets:

Cash	
Marketable securities, at cost (market value \$1,166,995; 1973 — \$1,305,314)	
Accounts receivable	
Current portion of long-term receivables, including accrued interest	
Inventories of materials at the lower of cost and net realizable value	
Other assets	

Investments:

Long-term receivables, less current portion (Note 2)	
Investments in shares (Note 3)	
— Famous Players Limited	
— Associated companies	
— Other investments	

Fixed assets, at cost (Note 4)

Less: Accumulated depreciation and amortization

Excess of carrying value of subsidiaries over book value of underlying assets

AUGUST 31

	<u>1974</u>	<u>1973</u>
\$ 146,167	\$ 176,736	
595,638	594,638	
458,662	265,908	
681,739	691,548	
1,109,753	449,898	
116,591	52,541	
<u>3,108,550</u>	<u>2,231,269</u>	
3,575,695	3,412,915	
22,291,979	21,049,126	
552,809	4,539,742	
<u>1,644,303</u>	<u>2,935,169</u>	
<u>28,064,786</u>	<u>31,936,952</u>	
34,961,330	19,462,862	
<u>15,508,496</u>	<u>8,248,232</u>	
<u>19,452,834</u>	<u>11,214,630</u>	
19,005,520	9,344,334	
<u>\$69,631,690</u>	<u>\$54,727,185</u>	



Eleanor Waito and Teresa Nichol of Grand River Cable TV's Data Processing Department are shown keypunching subscriber payments.

LIABILITIES AND SHAREHOLDERS' EQUITY

AUGUST 31

Current liabilities:

Bank indebtedness (note 5)	\$ 82,919	\$ 132,726*
Accounts payable and accrued expenses	1,583,093	396,952
Dividend payable	277,209	274,031
Income taxes	531,436	275,859
Current portion of long-term debt	101,943	80,487
Prepayments for services	2,751,155	1,809,613

Bank advances (Note 5)

9,545,000	1,792,000*
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Long-term debt, less current portion

125,674	220,708
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Deferred income taxes

2,089,368 1,354,477

Shareholders' equity

Capital stock (Note 6)		
Authorized — 16,428,436 common shares without nominal or par value		
Issued — 3,960,124 (1973 — 3,914,724)	13,144,835	12,531,935
Share purchase warrants	1,000,000	1,000,000
Reorganization surplus	6,235,324	6,235,324
Retained earnings	32,163,734	28,623,073
	<u>52,543,893</u>	<u>48,390,332</u>
	\$69,631,690	\$54,727,185

Approved on Behalf of the Board:

AF Cripps the Director
W. Eden (as main) Director

* Reclassified for comparative purposes



Jean Brewster and Marie Lockwood are shown working in the Accounting Department at Metro Cable TV Limited.



CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	YEAR ENDED AUGUST 31	
	1974	1973
Balance at beginning of year as previously reported	\$29,212,208	\$26,578,682
Adjustment of earnings of Famous Players Limited (Note 1 (a))	(589,135)	(451,262)
As restated	28,623,073	26,127,420
Net earnings for the year	4,641,033	3,591,776
	33,264,106	29,719,196
Less: Dividends paid — 28¢ per share	1,100,372	1,096,123
Balance at end of year	\$32,163,734	\$28,623,073

AUDITORS' REPORT

To the Shareholders of
Canadian Cablesystems Limited:

We have examined the consolidated balance sheet of Canadian Cablesystems Limited and its subsidiaries as at August 31, 1974 and the consolidated statements of earnings, retained earnings, and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the

circumstances. We have relied on the reports of other auditors who have examined the financial statements of Famous Players Limited and one of the associated companies.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change

in the basis of recording the Company's equity in the earnings of Famous Players Limited as described in Note 1 (a), on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Toronto, Canada
November 20, 1974

Chartered
Accountants



Lee Martini, Executive Vice-President and General Manager of Hamilton Co-Axial Limited in discussion with a subscriber.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 1974

1. Accounting Policies

(a) Consolidation —

The consolidated financial statements include the accounts of the Company and all its subsidiaries.

The Company's investments in Famous Players Limited (48.8% owned), Chatham Cable TV Limited (50% owned), Edmonton World Hockey Enterprises Limited (30% owned), and Cablesare Limited (50% voting shares, 72% non voting shares owned), are accounted for on the equity basis. Accordingly, the Company's equity in the earnings and losses of these companies is included in the consolidated statement of earnings.

The statement of earnings includes the revenues and expenses of the London, Jarman and Pine Ridge cable TV systems for the seven months since January 31, 1974, when the Company acquired the remaining shares of these companies (note 3 (c)). Earnings of these systems for the five months from September 1973 to January 1974, are included in "Equity in earnings of associated cable companies".

Effective September 1, 1973, the Company adopted the practice of reporting its equity in the earnings of Famous Players Limited on a two-month delay basis. Earnings for the Company's year ended August 31, 1974 includes earnings of Famous Players Limited for its fiscal year ended June 30, 1974. Consolidated earnings for the year ended August 31, 1973 have been restated (a reduction of \$137,873) to reflect this change.

(b) Capitalization policy —

The distribution system includes the cost of the head end, cable and electronic equipment as well as the cost of materials and installation for subscriber connections. During construction or rebuilding phases, only direct costs are capitalized. Accordingly, all interest and overhead costs are expensed in the year in which they are incurred.

(c) Depreciation —

The cable plant and other fixed assets are depreciated over their estimated useful lives as follows:

Buildings	- 5% diminishing balance
Distribution system	- 10%-15% straight line
Subscriber drops and devices	- 10% straight line
Other equipment	- mainly 20% and 30% diminishing balance
Leasehold improvements	- over the term of lease

(d) Income and expense —

Income from cable services include earned subscriber service revenue and charges for installation and connections. The cost of the initial subscriber installation is capitalized as part of the distribution system. Costs of subsequent disconnections and reconnections are expensed. Where subscriber service revenue is paid in advance, it is taken into income as earned.

(e) Goodwill —

The excess of cost of shares in subsidiary and associated companies over book value is not amortized unless the value is impaired.

(f) Deferred income taxes

Deferred income taxes have been provided at prevailing rates and arise mainly from claiming capital cost allowances (depreciation for income tax purposes) in excess of depreciation recorded in the financial statements.

2. Long Term Receivables:

	<u>1974</u>	<u>1973</u>
Notes receivable in instalments 1975 to 1977 — 6 3/4% (Note 5)	\$2,022,400	\$2,022,400
Notes receivable in instalments 1974 to 1976 — Prime rate plus 1% (Note 5)	190,125	274,625
Loan receivable in instalments 1975 to 1982 — 8%	888,889	1,000,000
Loans to employees under Share Purchase Plan due 1980 (Note 6)	611,829	
Other notes receivable	388,455	429,108
	4,101,698	3,726,133
Less: Current portion	526,003	313,218
	\$3,575,695	\$3,412,915

3. Investment in Shares:

(a) Famous Players Limited —

The carrying value of the Company's investment in Famous Players Limited (48.8% owned) is equal to its equity in the underlying net assets of that company as at June 30, 1974.

A summary of the consolidated financial statements of Famous Players Limited for year ended June 30, 1974 is set out as follows:

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1974

Assets	(000's)	Liabilities	(000's)
Current assets	\$ 6,855	Current liabilities	\$12,392
Investments & advances	5,784	Deferrals	2,849
Fixed assets, at cost less depreciation	76,727	Long term debt	28,210
		Minority interests	283
		Shareholders' equity	45,632
	<u>\$89,366</u>		<u>\$89,366</u>

CONSOLIDATED STATEMENT OF EARNINGS Year Ended June 30

	<u>1974</u>	<u>1973</u>
Revenue		
Theatre and other revenue	\$77,904	\$65,708
Equity in earnings of 50% theatre companies	183	390
Revenue from real estate operating projects	6,274	1,056
Proceeds from sale of real estate	3,277	3,224
	<u>87,638</u>	<u>70,378</u>
Expenses		
Operating costs	76,593	62,159
Depreciation	3,204	2,224
	<u>79,797</u>	<u>64,383</u>
Operating income	7,841	5,995
Income tax	3,151	2,638
Earnings before minority interest	4,690	3,357
Minority interest	136	27
Net earnings for the year	<u>\$ 4,554</u>	<u>\$ 3,330</u>

Operating expenses for 1973 include a revaluation charge of \$2,600,000 relating to certain assets of Famous Players Limited.

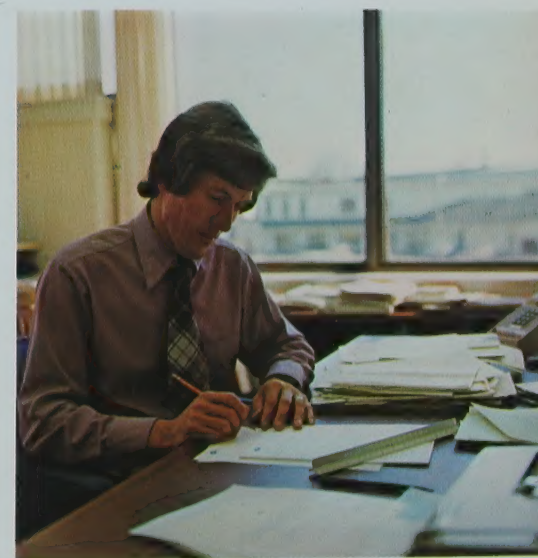
(b) Associated companies —

The carrying value of the Company's investments in associated companies is equal to their written up fair values at January 3, 1971, with subsequent additions at cost, plus the Company's equity in undistributed earnings or losses since that date or since acquisition.

The excess of the carrying value of the company's investment in associated companies over its equity in the book value of their underlying net assets, amounted to \$869,242 as at August 31, 1974.

(c) Acquisitions —

On January 31, 1974 the Company acquired (a) the remaining shares not previously owned of London Cable TV Limited (50%), Pine Ridge



H. J. Vander Laan, Director of Technical Operations and Personnel

Cable TV Limited (62 1/2%) and Jarmain Cable TV Limited (66%), and (b) a further 25% interest in Chatham Cable TV Limited, a 50% interest in Kingston Cable TV Limited and 100% of Jarmain Teleservices Limited (now Cablesystems Engineering Limited). The purchase consideration for these interests was \$9,343,476 cash, subject to possible reduction in certain future circumstances. These acquisitions have been accounted for on the purchase basis and further details are as follows:

Total underlying assets acquired	\$9,804,180
Total underlying liabilities acquired	<u>5,537,909</u>
	4,266,271
Less: Minority interest and already owned	<u>2,037,370</u>
	2,228,901
Purchase price in cash	<u>9,343,476</u>
Excess of cost over the net book value of underlying assets	<u>\$7,114,575</u>

The excess of carrying value of subsidiaries over book value of underlying assets in the balance sheet has been further increased by a net amount of \$2,546,611 transferred from investment in associated companies and relating mainly to excess carrying value of the Company's original investments in the above companies.

(d) Other investments —

The carrying value of the Company's other investments is equal to their written up fair values at January 3, 1971 plus subsequent additions at cost.

4. Fixed assets, at cost

	<u>1974</u>	<u>1973</u>
Land and buildings	\$ 557,560	25,662
Distribution system	19,916,853	11,176,876
Subscriber drops and devices	11,748,149	7,109,020
Other equipment	2,413,444	977,038
Leasehold improvements	<u>325,324</u>	<u>174,266</u>
	34,961,330	19,462,862
Less: Accumulated depreciation and amortization	<u>15,508,496</u>	<u>8,248,232</u>
	<u>\$19,452,834</u>	<u>\$ 11,214,630</u>

The distribution system includes trunk and distribution cable paid for by the Company's subsidiaries but held under leases from Bell Canada expiring at various times with original minimum terms of 10 years.

5. Bank Loans

The bank loans of the Company and its subsidiaries are payable on demand, but arrangements have been made with the Company's bankers to extend payment beyond August 31, 1975. Bank loans bear interest at rates related to the bank's prime rate. Security is provided by a pledge of certain of the Company's notes receivable (approximately \$2.2 million), 62% of the Company's shares in Famous Players Limited and a general assignment of the book debts of certain subsidiaries.

6. Capital Stock and Share Purchase Warrants

(a) Share purchase warrants entitling the bearers to purchase on or before December 31st, 1979, 618,992 shares have been issued and are outstanding. Each share purchase warrant entitles the bearer to purchase 1.03 common shares at \$24.26 which price is subject to downward adjustment under the antidilution provisions of the Share Purchase Warrant Indenture. The Company has reserved 4,632,844 of the authorized common shares under rights attaching to its share purchase warrants of which 618,992 shares are subject to issuance pursuant to the outstanding share purchase warrants.

(b) The Company has been declared to be a "Constrained-Share Company" under provisions of supplementary letters patent dated March 15, 1971 as amended by supplementary letters patent dated April 19, 1973. The effect of this is to restrict to a maximum of 20% the number of shares that may be held by the "constrained-class" consisting of non-Canadians and all others who through direct or indirect shareholdings individually or as a group would jeopardize the licenses of the Company's subsidiaries issued pursuant to the Broadcasting Act (Canada).

(c) The Company has instituted a Stock Purchase/Stock Option Plan for officers and senior employees. Under this plan, 190,000 common shares were set aside for allotment. During the year 22,500 shares were purchased by four officers (two of whom are also directors) and 22,900 shares were purchased by nine employees (one of whom is also a director). The shares were issued at \$13.50 a share for a total consideration of \$612,900. The purchase of these shares was financed by loans from the Company to Montreal Trust Company, as Trustee, on behalf of participants in the plan. The indebtedness is secured by the shares purchased by such loans. The loans are repayable within a six year period.

Under the Plan, options were granted to eligible employees to the extent that they did not elect to purchase shares under the plan. At August 31, 1974 options for 23,300 shares have been granted to six employees (one of whom is also a director.)

The options are exercisable at \$13.50 per share on a cumulative basis as to 20% per annum over the next five years. Since August 31, 1974 rights for a further 5,272 shares have been granted to an employee at \$11.00 per share.

7. Earnings per share

	<u>1974</u>	<u>1973</u>
Before extraordinary items	\$1.04	\$0.89
For the year	1.18	0.92

The above figures are based on the weighted average number of shares outstanding during the year. The 1973 figures have been restated to reflect the change in reporting practice as explained in Note 1 (a).

8. Lease commitments:

Minimum commitments under agreements and leases for the rental of premises and distribution lines amount to approximately \$726,000 per annum as at August 31, 1974. Rental expense for the year ended August 31, 1974 amounted to \$595,436 (1973 — \$368,218).

9. Contingent liabilities:

Under the reorganization effective January 3, 1971 Famous Players Limited assumed liability under all leases pertaining to the theatre business, and provided the Company with a formal indemnity against any loss in this regard. While the Company has been released from its obligations under some of these leases, there are still a great many lease commitments under which it remains contingently liable. The Company's management, however, believes that the Company will incur no liability under these outstanding lease commitments.

11. Remuneration of directors and officers:

	As Directors		As Officers	
	Number	Amount	Number	Amount
From Canadian Cablesystems Limited	15	50,000	6*	218,137
From subsidiaries				
Metro Cable TV Limited	2	850	—	—
Hamilton Co-Axial Limited	1	350	—	—

*Three of the officers are also directors of the Company



Stan Johnson, Chief Engineer of Grand River Cable TV Limited detailing the new \$1,000,000 microwave distribution system which will bring Grand River subscribers greatly improved reception.

INTERESTS IN CATV SYSTEMS

	Percentage Interest of the Company	Potential Households in Licensed Areas	Approximate No. of Subscribers to System as at August 31, 1973	Net Additions	as at August 31, 1974	% Penetration
Wholly-Owned Subsidiaries						
Cornwall Cablevision Inc.	100%	14,489	11,776	773	12,549	86.61%
Grand River Cable TV Limited	100%	101,288	70,041	7,535	77,576	76.59%
Hamilton Co-Axial Limited	100%	41,000	29,624	3,131	32,755	79.89%
Jarmain Cable TV Limited - Brantford	100%	24,569	16,680	1,930	18,610	75.74%
- Newmarket	100%	7,906	6,072	966	7,038	89.02%
London Cable TV Limited	100%	58,902	50,026	2,526	52,552	89.22%
Metro Cable TV Limited	100%	150,751	76,744	30,852	107,596	71.37%
Pine Ridge Cable TV Limited	100%	38,135	18,474	4,229	22,703	59.53%
Associated Companies						
Chatham Cable TV Limited	50%	12,668	7,319	1,262	8,581	67.74%
Kingston Cable TV Limited	50%	24,655	—	2,737	2,737	11.10%
Alberni Cable Television Limited	20%	6,000	4,901	647	5,548	92.47%
		<u>480,363</u>	<u>291,657</u>	<u>56,588</u>	<u>348,245</u>	72.49%
Canadian Cablesystems' Share of Above		<u>456,901</u>	<u>284,076</u>	<u>54,070</u>	<u>338,146</u>	74.01%



F. L. Eberdt, Director of Marketing

INTERESTS IN TELEVISION

Bushnell Communications Limited	6.3%
Tele-Capital Ltd. — Télé-Capitale Ltée	18%

INTERESTS IN THEATRES

Famous Players Limited	48.8%
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OTHER INTERESTS

Cablesystems Engineering Limited (formerly Jarmain Teleservices Limited)	100%
Edmonton World Hockey Enterprises Limited	30%
Cableshare Limited	50%
Agra Industries Limited	31,673 shares



Glenn Smith of London Cable TV Limited maintains a fleet of 40 vehicles with the latest in Electronic Diagnostic equipment.

